

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-01
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R 260422Z FEB 78
FM AMEMBASSY MANAMA
TO SECSTATE WASHDC 5837
INFO AMEMBASSY ABU DHABI
AMEMAASSY DOHA
AMEMBASSY JIDDA
AMEMBASSY KUWAIT
AMEMBASSY MUSCAT
USINT BAGHDAD

UNCLAS MANAMA 0477

E.O. 11652: N/A
TAGS: EFIN XF
SUBJECT: GULF STATES' MONETARY OFFICIALS CONFER IN ABU DHABI

REF: ABU DHABI 490

1. DIRECTOR OF BAHRAIN MONETARY AGENCY, ABDULLAH SAIF, DESCRIBED FEB 15-17 MEETING IN TONMS SIMILAR TO THOSE REPORTED REFTEL. SSF SAID THERE WAS NO DISCUSSION OF GULF DINAR, AND THAT SUCH JOINT CURRENCY ONLY A VERY DISTANT POSSIBILITY. HE SAID MOST OF MEETING TAKEN UP WITH DISCUSSION OF RECENT MINI-REVALUATION AND, IN PARTICULAR, WITH FACT, AS SAIF DESCRIBED IT, THAT REALIGNMENT OF EXCHANGE RELATIONSHIP BETWEEN BAHRAINI DINAR, QATARI RIYAL, AND UAE DIRHAM WAS NOT MATCHED BY CORRESPONDING REALIGNMENT OF INTEREST RATES WITH RESULT THAT DINARS AND RIYALS MOVED TO DIRHAM WHERE RATE SOMEWHAT HIGHER. SAIF IMPLIED THAT THIS WAS SEEN AS TEMPORARY PHENOMENA.

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2. CONCERNING PROPOSALS FOR FURTHER COOPERATION BETWEEN GULF BANKING SYSTEMS, SAIF SAID HE HOPED TREND WOULD BE TOWARD IMPROVED COMMUNICATIONS BETWEEN EXISTING CENTRAL BANK AND MONETARY AGENCIES AND AWAY FROM IDEA, WHICH HE HAD HEARD, OF A NEW INSTITUTION; "GULF DOES NOT NEED ANOTHER SECRETARIAT".

3. EMBASSY COMMENT: RECENT GULF CURRENCIES REALIGNMENT
AND THIS MEETING OF GULF MONETARY AUTHORITIES HAS GENERATED
RENEWED SPECULATION ABOUT A SINGLE GULF CURRENCY WHICH WE
BELIEVE SHOULD BE PLACED IN PROPER PERSPECTIVE. A GULF CURRENCY
IS SELDOM DISCUSSED IN BAHRAIN UNLESS RAISED BY A VISITOR.
THE SUBJECT WAS CAREFULLY STUDIED SOME TIME AGO ON THE TECHNICAL
LEVEL AND A TECHNICAL PLAN ACCEPTED IN PRINCIPAL BY GULF
MONETARY AUTHORITIES. HOWEVER, THE FINAL CONCLUSION WAS THAT
THE NEXT STEP WAS POLITICAL -- REQUIRING COMMITMENT TO
MAINTAIN PARALLEL INTEREST RATES, JOINT PLANNING OF DEVELOPMENT
AND OTHER GOVERNMENT EXPENDITURES, ETC. MONETARY AUTHORITIES
SEE LITTLE EVIDENCE THAT THESE STEPS ARE LIKELY IN THE
FORESEEABLE FUTURE. THE VALUE OF A GULF CURRENCY TO BAHRAIN
WOULD BE MARGINAL AND AUTHORITIES HERE ARE NOT GOING TO SPEND
TIME RE-STUDYING THE SITUATION UNLESS AND UNTIL THE
POLITICAL PREREQUISITES SEEMED LIKELY TO APPEAR.
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